REPORT
of the
CANADA-NOVA SCOTIA EXECUTIVE COMMITTEE
on
ECONOMIC AND SOCIAL BENEFITS
related to
OFFSHORE OIL AND GAS RESOURCE ACTIVITIES

Canada

Nova Scotia

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Halifax, Nova Scotia,

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PREFACE

This is the first report of the Executive Committee on Economic and Social Benefits, which was established by the Government of Canada and the Government of Nova Scotia under Section 22 of the Canada-Nova Scotia Agreement on Offshore Oil and Gas Resource Management and Revenue Sharing. The Committee is concerned with the economic and social effects of offshore development. It is expected, among other things, to advise the two governments:

- -- on the social and economic objectives that should govern their decisions in guiding and responding to the development;
- -- on the initiatives that should be taken in pursuing these objectives;
- -- on the process of consultation and cooperation considered necessary for effective and continuing joint management by the two governments; and
- -- on the steps to be taken in establishing and administering the funds for which provision is made in the Agreement.

Three joint sub-committees have been established by the Executive Committee: Economic Opportunities; Human Resources; and Land Use and Community Effects.

The Executive Committee, which works in close collaboration with the Canada-Nova Scotia Offshore Oil and Gas Board, held its first meeting on July 8, 1982, and has been meeting at frequent intervals since.

More detailed information on the Executive Committee and other elements of the management structure under the Offshore Agreement is included in an Appendix to this Report.

PART I: INTRODUCTION

Phases of Offshore Petroleum Activity

The implications of the petroleum industry for Nova Scotia can be most easily discussed by referring to the three major phases of activity: exploration, development and production.

Nova Scotia has been in the exploration stage of oil and gas activity for about 20 years. After an early drilling peak in the mid-1970's, interest in the Scotian Shelf declined until the discovery of the Venture structure near Sable Island in 1979. Since that discovery, successful delineation drilling by Mobil at Venture and the signing of the Canada-Nova Scotia Offshore Agreement have caused renewed interest in the Nova Scotian offshore region. The number of exploration rigs increased from one to six during 1982, and more are expected in 1983.

The major requirements in the exploration phase are service bases onshore with good docking and loading facilities, flat back-up land nearby for the storage of tubular goods, and terminals for helicopter transportation. In addition, there is a need for many marine and well services. Indeed, the emphasis during this phase is on service, not on construction or manufacturing. Capital goods can be imported to a new exploration area -- and usually are until the area has proven its potential and begun to produce.

To date, exploration off Nova Scotia has taken place largely out of supply bases located at the Strait of Canso and in the Halifax-Dartmouth area. Shell did most of its drilling in the 1970's from Mulgrave at the Strait. Today Shell and Mobil are operating from Halifax-Dartmouth, while Petro-Canada is based in Mulgrave.

The exploration stage can be transitory, as it has been before in Nova Scotia. Drilling is done from mobile rigs available for charter to oil

companies anywhere in the world. An oil company initiates the activity and sub-contracts with a large number of service companies, including a drilling contractor, a supply boat operator and various well service specialists. As the rigs move in, so do the service companies. As the rigs leave, so do the service companies. Exploration in itself is not the basis for long-term industrial development and does not usually provide a sufficiently secure market to warrant major capital investment in manufacturing plants.

A single-rig exploration drilling program off Nova Scotia can be expected to generate expenditures of as much as $100 million per rig per year and up to 250 direct jobs. The job creation effects are significant -- but an entire program can be wound down completely within a period of months.

The developmental stage of oil and gas activity brings the greatest opportunities and may also present the greatest problems. Economic activity and spending rise to peak levels and employment is similarly high, but the activity takes place over a limited period of time. Unless new discoveries are made and consequential development undertaken, problems associated with severe shifts in total employment may result. Developmental activities could include the coating and laying of a sub-sea pipeline, the fabrication and assembly of production platforms, the construction of supply vessels and the installation of processing plants. Supply bases, initially set up to handle the exploration stage, become much busier as the volume of materials handled increases greatly. The construction of offshore jackets and top-side modules for a single field can involve work-forces of thousands over periods of one to three years. The Scotian Shelf Gas Development Study* estimated a peak labour force of about 5,000 for

* Thorne Stevenson and Kellogg; Gardner Pinfold, and PEIDA. 1981. Scotian Shelf Gas Development: The Economic Impact on Nova Scotia.

development of the Venture field.

The developmental phase is basically a very large construction project, of a size sufficient to have significant impact on an economy such as that of Nova Scotia. Although a single project may result in a rapid build-up followed by an even more rapid decline, the discovery of several offshore fields can create a plateau rather than a peak of employment. And this can become the foundation for the evolution of a more permanent, offshore construction and installation industry. Such an evolution has led to the establishment of major centres of offshore-related employment in the Gulf of Mexico states and the North Sea countries. Discoveries at Venture off Nova Scotia and Hibernia off Newfoundland indicate that the Canadian East Coast offshore might be able to support a substantial offshore petroleum construction industry. This presents a major opportunity. In the Nova Scotia case, a new onshore transmission and gas distribution network will be required, and this will add considerably to the initial impact of developmental activities.

In the production phase, employment declines from the peak, construction activity tails off and the industry stabilizes. Employment is fairly constant, with highly skilled people onshore handling managerial, production engineering and processing activities, and offshore workers settling into stable, long-term employment patterns. In addition to the oil companies, a large number of service companies are still involved, providing a range of drilling and other services similar to those required in the exploration stage, together with a number of new ones associated with production, processing and distribution.

A rough comparison of the significance of the three major phases of petroleum activity can be seen in Figure 1 and Table 1, which are based on yearly and cumulative estimates of expenditure for a typical offshore field. It

will be noted that, although the exploration phase is significant in expenditure terms, it is not nearly as significant as the other two phases; that the developmental phase produces the greatest surge of spending; that expenditures in the production phase, over the life-time of a typical project, can nonetheless equal or exceed those in the developmental phase. All of the estimates involved here are based on the concept of a single geological structure -- which means, among other things, that the figures shown for exploration are low in comparison to the normal situation in which several structures are under investigation at the same time.

Off Nova Scotia, exploration programs, with about 250 personnel per rig (including support personnel), can cost as much as $50 million per deep exploration well. The Scotian Shelf Gas Study concluded that employment for the Venture development project could peak at about 5,000 and that project costs would approach $3 billion (constant 1981 dollars). For the production phase, the same study placed employment at about 600 and annual operating expenditures at about $500 million (constant 1981 dollars).

Current Exploration Activity

Exploration activity off Nova Scotia began in 1967. To date, 77 wells have been drilled in the Nova Scotian offshore region, resulting in nine significant "shows". The most promising discovery has been on the Venture structure, approximately 11 km east of Sable Island. Other promising discoveries have been made on Thebaud, Citnalta, Olympia and South Venture.

As indicated in Table 2, some 20 exploration agreements, covering 8.7 million hectares, have recently been concluded for the Scotian Shelf area. The agreements provide for a minimum of 29 wells to be drilled and are valued at

FIGURE 1 - YEARLY EXPENDITURES FOR A TYPICAL OFFSHORE PETROLEUM DEVELOPMENT

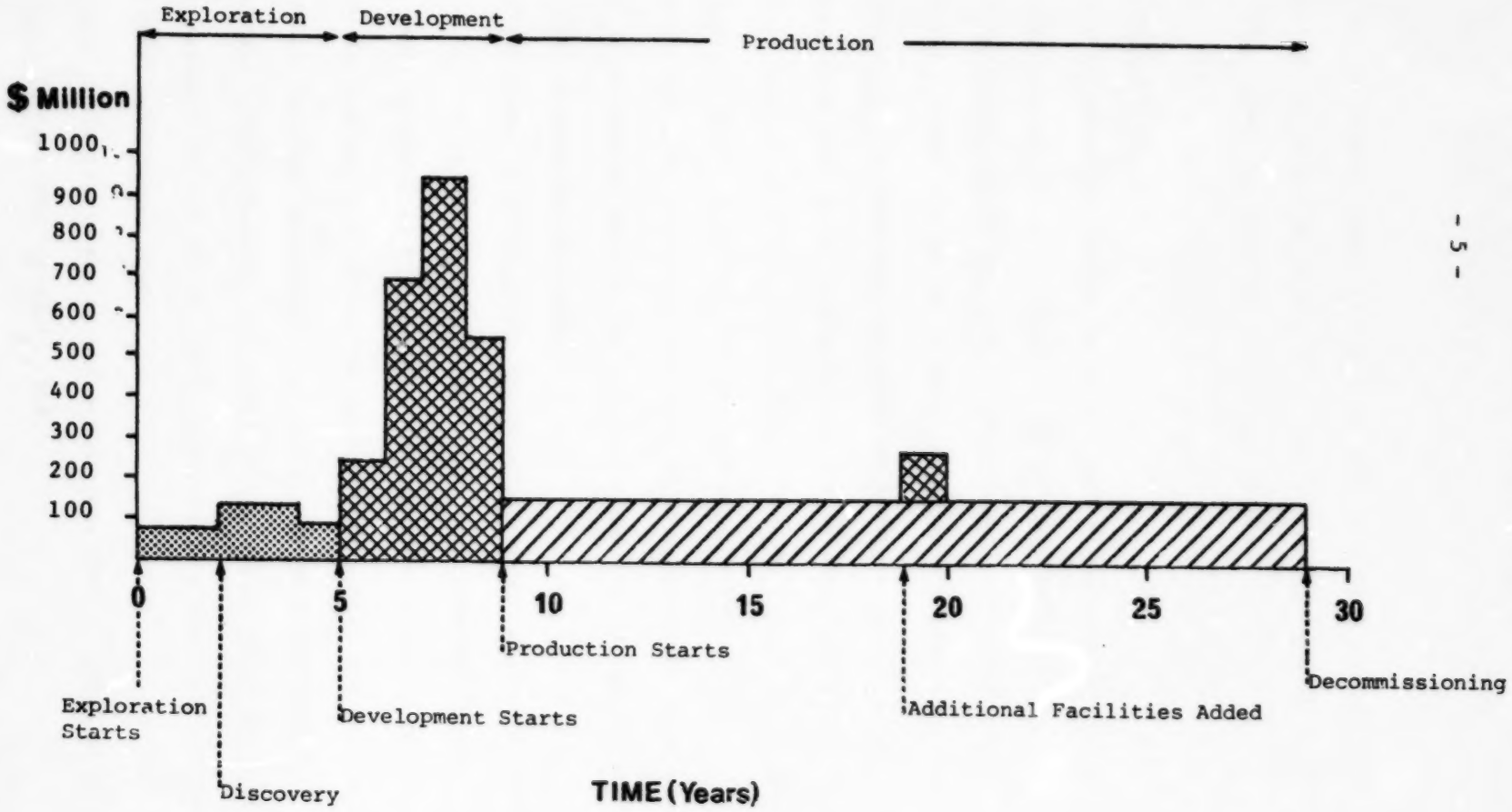

Table 1: Yearly and Cumulative Expenditures for a Typical Offshore Field

YEAR	EXPLORATION ($ Million)		DEVELOPMENT ($ Million)		PRODUCTION ($ Million)	
		Cumulative		Cumulative		Cumulative
1	75	75	-	-	-	-
2	75	150	-	-	-	-
3	125	275	-	-	-	-
4	125	400	-	-	-	-
5	75	475	-	-	-	-
6	-	-	250	250	-	-
7	-	-	700	950	-	-
8	-	-	950	1900	-	-
9	-	-	550	2450	-	-
10	-	-	-	-	150	150
11	-	-	-	-	150	300
12	-	-	-	-	150	450
13	-	-	-	-	150	600
14	-	-	-	-	150	750
15	-	-	-	-	150	900
16	-	-	-	-	150	1050
17	-	-	-	-	150	1200
18	-	-	-	-	150	1350
19	-	-	100	2550	150	1500
20	-	-	-	-	150	1650
21	-	-	-	-	150	1800
22	-	-	-	-	150	1950
23	-	-	-	-	150	2100
24	-	-	-	-	150	2250
25	-	-	-	-	150	2400
26	-	-	-	-	150	2550
27	-	-	-	-	150	2700
28	-	-	-	-	150	2850
29	-	-	-	-	150	3000
TOTAL	475		2550		3000	

$1.6 billion. The agreements range in duration from 18 months to six years and involve principally the following operators: Shell; Petro-Canada; Husky-Bow Valley; and Mobil. Other agreements are in negotiation.

Venture Development Plan

Mobil Oil is currently conducting feasibility studies to determine the best means of producing gas from its Venture discovery. Until the studies are completed and relevant decisions are made, a development plan cannot be finalized. However, recent statements by Mobil describe the most likely scenario for Venture as one involving two separate clusters of platforms, linked to a submarine pipeline that would transport the gas to shore-based operations. Each cluster would consist of three platforms connected by bridges: a platform for drilling; a platform for preparing the gas for transportation; and a platform for accommodations. An additional platform would probably be added after about ten years of production when it would become necessary to install compression facilities to pump the gas ashore.

The current state of planning for the development and production phases will undoubtedly be spelled out in some detail in an Environmental Impact Statement that Mobil is expected to submit to the two governments in the very near future. In due course, that Statement will be made public and will become the basis for public hearings to be conducted jointly by an Environmental Assessment Panel and a Socio-Economic Assessment Panel. When those two bodies have made their reports (by the end of 1983), Mobil will be expected to submit for approval a final development plan.

Development could take place in the period from 1984 to 1987 and production could begin in late 1987 or early 1988.

Table 2: Exploration Agreements Concluded as of January, 1983, Scotian Shelf

Operator	Date	Number of Agreements	Area (millions of hect.)	Term	Well Commitment	Program Value (millions $ Cdn)
Shell	June,1982	6	3.8	4-6 yrs	6	263
Petro Canada - Husky - Bow Valley	July,1982	4	1.7	3 yrs	8	500
Shell	Sept.,1982	7	1.9	3 yrs	9	551
Mobil *	Nov.,1982	3	1.3	1.5-4 yrs	6	310
TOTAL		20	8.7		29	1624

* Husky-Bow Valley announced in January, 1983, that they would be drilling 4 wells under the Mobil Agreement.

Focus of the Report

This, then, is the background against which this report of the Executive Committee on Economic and Social Benefits has been prepared.

In pursuing its mandate, the Committee has tried to take into account the potential effects of all three phases of activity. If anything, it has given its primary attention to the developmental phase because it is likely to have a much greater impact than the exploration phase and because unlike the production phase, it could begin very soon.

Although it has tended to focus on Venture, about which more and more is known, the Committee has also tried to keep in mind the possibility of sequential development covering a number of fields on the Scotian Shelf and elsewhere off the east coast of Canada. Although this possibility is currently difficult to define and quantify, it is clearly of some significance, particularly in terms of the size of the market that might be available for specialized products, services and skills.

The Executive Committee was specifically asked to deal with a number of subjects. All are covered in this report, which deals in the sections that follow with:

- -- social and economic objectives;
- -- initiatives to meet these objectives;
- -- the ongoing process of consultation and cooperation; and
- -- the funds for which provision was made in the basic Agreement between Canada and Nova Scotia.

By and large, the Committee has tried to limit its recommendations to matters on which early governmental action is required. The recommendations are set out in **distinctive type** .

PART II: SOCIAL AND ECONOMIC OBJECTIVES

In the Canada-Nova Scotia Agreement on Offshore Oil and Gas Resource Management and Revenue Sharing, the parties agreed that "the Offshore Development Objectives... shall constitute a framework for oil and gas resource management decisions in the offshore region". In preparing Social and Economic Objectives, for recommendation to the parties as required under section 22 of the Agreement, the Executive Committee has recognized the need for consistency with these Offshore Development Objectives. Attention has also been given, as required, to the use of labour, goods and services, education and training of personnel and research and development.

Agreement Provisions

According to Schedule II of the Agreement, the development of oil and gas in the offshore region of Nova Scotia is to contribute to the attainment of eight energy security and economic development objectives. These objectives are:

(1) to achieve national energy security through oil self-sufficiency by 1990;

(2) to promote offshore exploration;

(3) to protect the environment and the fishing industry;

(4) to promote Canadian participation in supplying goods and services to the offshore industry, with the people of Nova Scotia being the major beneficiaries of offshore activity;

(5) to train residents of Nova Scotia to meet the labour requirements of offshore exploration, development and production and related activities, within the context of Canadian labour mobility;

(6) to encourage development on an economic basis, meet domestic energy requirements and provide an appropriate share for governments of the revenue generated by adopting an adequate pricing and fiscal regime;

(7) to ensure a high level of participation by Canadian firms in the offshore;

(8) to contribute to the economic development of Nova Scotia and the sustaining of a stable level of economic activity in Nova Scotia through development, production and marketing of offshore resources.

Other Factors

In developing proposed social and economic objectives, the Executive Committee considered a number of factors, including the expected pattern of development, the number and specificity of goals, the inevitability of trade-offs, the relevance of geographic areas and the practical limitations of operational decision-making.

The Committee has developed objectives which could be applied to the development of a single field, such as Venture, or to the sequential development of a number of fields.

The Executive Committee recognized that the number of objectives identified for any development can be so large as to be operationally impossible. With this in mind, it finally decided to recommend only two principal objectives. The Committee also recognized, however, that objectives can be worded in such general terms as to be meaningless. To overcome this problem, it decided to recommend a set of sub-objectives designed to clarify the intent of the principal objectives. It is hoped that this approach, if acceptable to the two governments, will prove to be of some value over time.

In the view of the Executive Committee, the two principal objectives should be stated as follows:

A. The first objective is to maximize permanent net benefits for the people of Nova Scotia; and

B. The second objective is to distribute the benefits and costs of offshore development as equitably as possible.

In effect, these objectives have been given equal weight. They respond in a sense to societal goals of efficiency and distribution. A set of goals concerned solely with efficiency was considered undesirable, if only because it could lead to the concentration of offshore activity in areas least in need of additional economic activity, and to the concentration of benefits in small groups of individuals least in need of additional income. On the other hand, a set of goals concerned solely with distribution was also considered undesirable, if only because it could produce such an inefficient industrial structure as to deny long-term benefits to everyone.

In dealing with labour and industrial benefits, the basic Offshore Agreement accorded a preference to Nova Scotia. The Executive Committee accepted this preference, of course, but was inclined to express it within a graduated set of priorities. It was so inclined because it was strongly of the view that a second-level priority should be assigned to the Atlantic Provinces. There is reason to believe that greater cooperation among the Atlantic Provinces, particularly with respect to labour and industrial benefits, could achieve greater overall benefits for the whole region. With respect to the objectives and sub-objectives, therefore, the intent of the Executive Committee is that Nova Scotia be given first priority in terms of benefits, that the other Atlantic Provinces be given second priority and that the rest of Canada be given third priority. This priority ranking, which should be read into everything that follows in this part of the report, would primarily affect decisions

regarding the location of industrial activities but could also affect decisions regarding labour.

The Executive Committee recommends that emphasis be placed on permanent net benefits rather than temporary ones. Although some development-related opportunities will provide important short-term benefits, emphasis needs to be placed on long-term opportunities, some of which may be international in scope.

The distributional objective refers principally to Nova Scotia and is intended to recognize sub-provincial disparities in the way that provincial disparities are recognized within the nation. In addition, the objective recognizes the need for affirmative action or similar programs to ensure that benefits are made available to individuals or groups requiring special assistance. The same objective refers to the social costs of offshore development and is meant to ensure that particular income groups or areas do not bear a high proportion of the costs of development without sharing the benefits. The Executive Committee recognizes that this objective may be difficult to implement. It believes, however, that, if efforts are not made to implement it, the resulting pattern of economic activity associated with offshore development could prove to be socially unacceptable and fail to address the long-standing problems of disparities within Nova Scotia itself.

Proposed Objectives

The recommended objectives can now be stated along with the proposed sub-objectives.

A. The first objective is to maximize permanent net benefits for the people of Nova Scotia:

(1) by directing revenue from offshore oil and gas, wherever possible, to the creation of long-term opportunities;

(2) by increasing the proportion of goods and services purchased by the offshore industry, broadly defined, within Nova Scotia;

(3) by ensuring that employment from offshore activity, including employment in managerial, professional and other highly-skilled positions, is made available to residents;

(4) by strengthening and diversifying the industrial structure in a lasting manner;

(5) by encouraging development in those areas best able to accommodate it;

(6) by establishing and expanding training and research institutions based on the long-term requirements of the offshore industry;

(7) by avoiding, in the process, any unnecessary build-up of inflationary pressures.

B. The second objective is to distribute the benefits and costs of development as equitably as possible:

(1) by ensuring that the benefits of offshore development accrue to all income groups and that the costs are not borne disproportionately by any one income group;

(2) by encouraging development in areas with low levels of per capita income and high levels of unemployment;

(3) by reinforcing the positive effects of offshore development and minimizing the negative effects, particularly at the community level.

Each of the sub-objectives requires some explanation.

Directing revenue from offshore oil and gas to the creation of long-term opportunities implies that expenditures are made with an eye to production rather than consumption. An emphasis on production is achieved by investing in facilities and supporting infrastructure or by investing in relevant human skills. In effect, this emphasis is already recognized in the creation, under

the basic Agreement, of three funds: the Development Fund, the Education and Training Fund and the Research and Development Fund.

Increasing the proportion of goods and services purchased in Nova Scotia will indirectly increase average earned income per capita in Nova Scotia, particularly if the firms supplying goods and services to the offshore are among the higher paying industries. The positive effects can be further increased if the goods and services are manufactured or supplied locally. Initially, the proportion would be expected to be quite low, based on the experience of similar regions where an offshore industry has developed. As local industry develops, however, the proportion of goods and services purchased from within the province and region would be expected to increase. It is recognized that Nova Scotia alone may not supply a high proportion of goods and services to the offshore industry. A cooperative effort among the Atlantic Provinces should result, however, in the region capturing greater industrial benefits.

Ensuring that employment opportunities from offshore activities are made available to residents of Nova Scotia implies that firms engaged in offshore exploration, development and production give priority to residents who are qualified. If the objective of creating permanent net benefits from offshore development is to be met, however, it may be necessary for firms engaged indirectly in offshore development to employ a high proportion of local residents. The sub-objective applies, therefore, not only to companies engaged in drilling for and producing offshore oil and gas but also to companies which supply goods and services to the offshore industry. For the purpose of this sub-objective, a resident has been interpreted by the Executive Committee as a person so defined under the Income Tax Act of Nova Scotia. The major problem in adopting this sub-objective will be to qualify residents for the highly skilled

and professional positions. Measures may have to be taken at an early date to address this problem. It is widely expected that a minimum of seventy-five percent (75%) of direct employment would be acquired by Nova Scotia residents; that this proportion would increase within a decade to ninety percent (90%) or more; and that virtually all positions would be filled by residents of the Atlantic Provinces.

Strengthening and diversifying the industrial structure implies that, in normal circumstances, priority is given to assisting companies with potential to service long-term demands -- that is, demands which extend beyond the initial stage of development. Nova Scotia, indeed Canada as a whole, cannot expect to supply all of the industrial requirements of offshore development. Choices will therefore have to be made. And when they are made, it will be best to pursue those industrial opportunities expected to be permanent rather than those likely to be temporary. There is an implied reliance on specialization among different parts of Canada, in terms of those industries which have competitive advantages arising from resources, location or other factors. Efforts to achieve the sub-objective might be expected, over time, to contribute to economic stability within each of the three priority areas and to provide the offshore supply industry in Nova Scotia, the Atlantic Provinces and Canada the best chance of becoming internationally competitive.

Encouraging offshore development in those areas which are best able to accommodate it will also contribute towards the maximization of permanent net benefits. The sub-objective does not mean that only those areas currently involved in the offshore should continue to be involved. It does mean that it would be counter-productive to encourage development in areas that lack the required natural and man-made features, ignoring unused capacity in other areas

marked by those features. Experience elsewhere has demonstrated that placing offshore developments in areas unable to accommodate it is costly both financially and socially, and exacerbates the "boom-bust" tendencies of development dominated by major construction projects.

The sub-objective of establishing and expanding training and research institutions in Nova Scotia based on long-term industrial requirements addresses clauses of the Agreement respecting education and training, on the one hand, and research and development on the other. It requires that training institutions be geared primarily to training for occupations expected to be in demand over the long term. When short-term demands cannot be easily met by the training of Nova Scotians, such demands should be met by migration. In keeping with the intent of this sub-objective, research institutions should be expanded only if they are intended to respond to long-term industrial demands.

The final sub-objective under the first objective requires little explanation. Large-scale economic development, such as that now considered possible because of offshore resources in Nova Scotia, has an unfortunate tendency to create inflationary pressures of a kind that drain away the permanent net benefits that might otherwise be produced. Such pressures are inevitable. But they can be contained by sound advanced planning designed to ensure that qualified workers and required equipment and services are available when needed. They can also be contained by avoiding any unnecessary concentration of development in areas where existing resources are reaching the point of full utilization.

Under the second objective, the sub-objective of ensuring that the benefits of offshore development accrue to all income groups and that the costs are not borne disproportionately by any one income group is included to ensure that

the benefits of offshore development do not automatically go largely to those least in need. To the extent that disadvantaged groups in society are among the low income groups, the sub-objective suggests the need for affirmative action programs. There is a recognition here that,in some types of economic development, individuals in certain groups frequently bear heavy social costs as a result of price inflation, housing shortages and a general loss of amenities. The sub-objective should not be interpreted in such a way as to mean that only persons in low-income groups should derive benefits or that persons in low-income groups should not bear some of the social costs. Rather, the intent is to introduce a balance into the sharing of benefits and the bearing of costs.

The sub-objective of encouraging development in those areas with low levels of per capita income and high levels of unemployment addresses the problem of regional disparities, particularly those within Nova Scotia. To some extent, this sub-objective conflicts with the sub-objective of locating development in areas which are best able to accommodate it. To the extent, however, that the two sub-objectives coincide -- and in some cases they will -- the opportunity available to an area should be enhanced. The implications of the sub-objective are meant to be significant, for they suggest a measure of decentralization that runs counter to centralizing tendencies inherent in the industry. In the long-run, however, adherence to this sub-objective should reduce the social costs of development, leading to the use of under-employed resources and avoiding the costs of excessive concentration.

Reinforcing the positive effects of offshore development in communities and minimizing the negative effects will promote stability in the long-run. Change in communities, both positive and negative, is a normal situation, whether brought about by offshore development or by other modifications in

industrial structure. With offshore development, however, the rate at which change occurs may be greater than that experienced in the past. Everyone involved should pay due regard to this possibility.

PART III: INITIATIVES TO MEET OBJECTIVES

In identifying initiatives to meet the proposed objectives, the Executive Committee reviewed the issues and problems being faced by Nova Scotia in dealing with the offshore challenge. The conclusions of the Committee, which follow, have been grouped under three headings: economic opportunities; human resources; and land use and community effects.

Economic Opportunities

The Executive Committee believes that very real economic opportunities, offering benefits to the province and to the rest of Canada, are available providing development is properly pursued and managed.

The Committee first looked at the ability of the private sector in Nova Scotia to participate in offshore development. Several factors which may inhibit provincial firms in benefitting from offshore activity have been identified:

(1) There is a lack of the capital facilities and the trained labour force required to meet a wide range of demands;

(2) Many enterprises are too small to capture economies of scale and, for this reason, find it difficult to be competitive;

(3) Most local engineers, consultants and planners lack experience in offshore activity;

(4) Many firms are largely unaware:
- -- of the products and services required in the offshore;
- -- of the purchasing procedures by which firms may bid and secure contracts;
- -- of the ways and means of entering and competing in world-wide markets;

(5) Many major companies experienced in offshore work are unaware of provincial corporate capabilities and, for this reason, tend to continue with traditional purchasing patterns.

The role of government should be to work with the private sector in overcoming these deficiencies and in realizing the opportunities arising from offshore development. Specifically, the Committee believes that government should intervene, as required, when either infrastructure or institutional, technical or financial support is not otherwise available.

The Committee recognizes that the identification of opportunities, benefits and costs is an on-going process. The process requires continuous updating of information pertaining to key decisions of an operational and technical nature that must be made by the major operators -- decisions that will impact on the products and services required. It requires continuous appraisal of provincial, regional and national capabilities in meeting offshore requirements. And it requires the continuous gathering of market intelligence which will make possible an accurate estimation of market size and capability.

To provide some structure to its discussions, the Executive Committee classified business activities into three categories: (i) offshore specific; (ii) general; and (iii) large projects. Many of the offshore specific and general business activities are already eligible for existing federal and provincial programs of government assistance and will likely locate in Nova Scotia without any new program of financial incentives. Large projects may require specific financial assistance. These must be examined in detail on a case-by-case basis to determine their feasibility, their benefits and costs and the extent of government assistance required. Some forms of government assistance, such as the dissemination of specific kinds of information may be needed to

remove constraints affecting all three categories of opportunity.

Human Resources

In general, most human resource requirements can be met from within the labour force of Nova Scotia and the Atlantic Provinces. For some occupations, there will be a need for new, expanded or re-oriented training programs to ensure that skills match requirements. Several occupations have been identified by the Executive Committee for priority training consideration by industry and government on the basis of expected demands from the Venture project and supply projections for both Canada and Nova Scotia. Additional occupational shortages may be identified by the industry.

Training, in general, needs to be geared to both short-term and long-term requirements. Immediate and intensive efforts are necessary, for example, to increase the annual number of ship's officers seeking higher-level certification. This may be done by expanding the output of the Coast Guard College and the Nova Scotia Nautical Institute; by making more intensive use of existing facilities in the short-run; by placing an increased emphasis on cadet programs in navigation and marine engineering; by providing for more training berths on rigs and supply vessels; and by offering more opportunity and incentive to officers with lower-level tickets willing to work towards higher levels of certification. The need for training of marine personnel to meet specific offshore requirements (e.g. anchor handling, cargo handling and the operation of shipboard tank farms) should also be examined.

The Committee believes that the primary responsibility for industry-specific training to meet the labour requirements of offshore development must rest with the private sector. For most of the relevant occupations, training is

best provided by employers in an on-the-job setting. The role of government, generally speaking, should be to set such standards as may be necessary and to support and complement training initiatives taken by the private sector.

Land Use and Community Effects

The Executive Committee believes that development should occur in areas designated for industrial use at the municipal level and that existing infrastructure should be used to the extent possible and upgraded if necessary. Any new facilities developed should lend themselves to multiple-use or re-use after a particular project is terminated. Financial and other support to community and social services should be in proportion to the demands placed upon these services, and any municipal practice of business and industrial property tax concessions should be discouraged. In general, the Executive Committee supports early consultation with federal, provincial and municipal officials on any proposed project; the preservation of life styles, traditions and values in compliance with the wishes of the communities; and community involvement in furthering development according to local aspirations.

The Executive Committee has focussed on three areas expected to receive the more immediate impact of offshore development: Halifax-Dartmouth; the Strait of Canso; and industrial Cape Breton. The provision of housing, and of community and social services is likely to generate the most concern for all three communities.

Most of the impact of development leading to an increased demand for health and social services is expected to fall on the Strait of Canso area. The cost of required increases in such services is likely to be felt at the municipal and provincial levels and could be felt even at the federal level.

Recommendations

A number of information and planning issues relating to offshore development have been identified by the sub-committees established by the Executive Committee. For the most part, these can be resolved within the responsible departments and agencies. In a small number of cases, however, there will be a need for major studies designed to inform and guide the action of the two governments working together, under the basic Offshore Agreement, to achieve their common social and economic objectives.

It is recommended that the two governments consider a joint planning agreement which, among other things, would provide for major planning studies related to offshore development to be quickly launched, brought to completion and used as a basis for informed action.

A large economic development like that now looming on the Scotian Shelf has ramifications that relate, in a many-faceted way, to the responsibilities of government. If the development is to move on schedule in a manner calculated to maximize permanent net benefits, most of these responsibilities will have to be handled well and in a timely fashion. For this reason, it would be prudent to undertake a systematic review of the situation and to repeat it at regular intervals.

It is recommended that, in the near future, and at regular intervals thereafter, each government undertake a review of the resources allocated to departments and agencies with responsibilities related to the development of offshore oil and gas in Nova Scotia, with a view to ensuring that these responsibilities are met fully and in a timely fashion. Increases in funding for some programs will have to be considered if a decision is made to proceed with Venture.

Under the Offshore Agreement, companies are required to submit Canada benefit plans, including both industrial and human resource components, to the Canada-Nova Scotia Offshore Oil and Gas Board for approval. Components of the plans are reviewed by the relevant federal and provincial government departments prior to their approval by the Board. Generally speaking, this system, which is of relatively recent vintage, appears to be working well. If there is room for improvement, it relates to the need for strengthened monitoring arrangements.

It is recommended that the Canada-Nova Scotia Offshore Oil and Gas Board review existing arrangements for the monitoring of Canada benefit plans to which oil companies commit themselves. It is essential that reporting arrangements and follow-up procedures be such as to ensure that everyone concerned is aware of the extent to which commitments made are being fulfilled.

A positive climate for the investments required to realize major offshore development opportunities in Nova Scotia appears to exist. These opportunities will be successfully pursued, however, only if the two governments do everything possible to facilitate the flow of information that will allow Nova Scotian and other Canadian companies to maximize their participation in the development. From this point of view, the work of the provincial Industrial Benefits Office and the federal Ocean Industry Development Office is critically important and will be for some time to come.

It is recommended that the provincial Industrial Benefits Office and the federal Ocean Industry Development Office be strengthened. In the case of the latter office, the strengthened capability should reflect an expanded role in Nova Scotia for the Ottawa-based Office of Industrial and Regional Benefits.

The Executive Committee believes that, if the long-term impact of the development is to be what the two governments would like it to be, particular care should be taken in the early stages to ensure that Nova Scotian managers and professional personnel are heavily involved in project management, engineering, procurement and construction. That type of involvement is not likely to occur -- or not likely to occur as frequently as it should -- unless the oil companies and their major contractors establish their operational headquarters in Nova Scotia and in other ways strive to work in close proximity to the local companies with some experience in the required fields of expertise.

It is recommended that oil companies operating off Nova Scotia and their major contractors be required to locate in Nova Scotia the management decision-making capability required for local operations.

There is an opportunity for Nova Scotian firms interested in a greater involvement with offshore development to benefit from research and development, particularly as it relates to the technical competence required to deal, in an increasingly effective manner, with the safety and other aspects of offshore activity in a relatively harsh environment. The opportunity should be pursued in the private sector, with an emphasis on new product development. Governments should focus on ways and means of stimulating this pursuit by working to establish an ongoing process of communication between the interested parties.

It is recommended that steps be taken to establish an ongoing process of communication between the oil companies and their principal contractors, the research and development institutions and interested elements of the private sector in Nova Scotia -- a process designed to ensure that the results of research and development are captured in industrial development made possible by the offshore.

The Canada Oil and Gas Lands Administration, in consultation with Transport Canada and a number of other federal and provincial departments, is developing regulations, standards and guidelines pertaining to offshore operations. Because of the complex nature of the offshore petroleum industry, this is a major task, much of it highly technical, which lies outside the mandate of the Executive Committee. It is related, however, to the question of training standards, which is related in turn not only to a set of issues pertaining to human resource requirements but also to some fundamental questions of safety. At the present time, there are no Canadian training standards for some of the important occupations associated with offshore drilling activity. In the absence of such standards, it is difficult if not impossible for the training authorities to develop and administer the courses that will be required to provide proper training in these occupations within Canada to Nova Scotians and other Canadians. In the view of the Executive Committee, steps should be taken just as soon as possible to remove this deficiency.

It is recommended that training standards for all of the key offshore occupations be published as quickly as possible, if need be in interim form, so that employers and training institutions can take the steps necessary to ensure that minimum requirements are being met.

There are significant shortages, regional and national, in the high-skill marine occupations -- shortages that are being exacerbated and that will be exacerbated further by offshore development in Nova Scotia. The Executive Committee believes that the two governments should act quickly to deal with these shortages, which could have adverse effects in a number of industries.

It is recommended:

(a) that the facilities of the Coast Guard College of Canada be expanded;

(b) that the facilities of the Nova Scotia Nautical Institute be upgraded quickly, in order to provide additional training capacity, and that plans for a replacement of the present Institute be put into effect as soon as funds can be made available;

(c) that companies be required to provide training berths on rigs and supply vessels, so that the sea-time necessary for certain types of certification can be acquired.

In addition to the high-skill marine occupations, there are a number of occupations that should be given priority in the training activity organized by both government and industry, including that governed by the National Training Act. In addition, companies should be encouraged to provide employment for apprentices to facilitate their attainment of journeyman status in these occupations.

It is recommended that priority consideration for training be given to drilling occupations, welders and pipefitter-welders, crane operators, drafting occupations, industrial mechanics, aircraft mechanics, instrumentation mechanics and selected marine fabricating occupations.

It should be added that, in the view of the Executive Committee, there is a pressing need for training providing an introduction and orientation to employment in the offshore. To the extent possible, this type of training should be supported by government financing mechanisms, including those governed by the National Training Act.

There is a shortage of training capacity for Marine Emergency Duty (MED) -- a shortage made evident by a backlog of trainees, serious delays in issuing

deck and engineer certificates and a strong and continuing demand for exemptions from licensing requirements. To help deal with this problem, private training firms should be encouraged to provide specialized safety and survival training for offshore workers which would be in keeping with established guidelines and available to operating companies on a fee-for-service basis. In the meantime, steps should be taken urgently to increase the capacity and effectiveness of existing institutions.

It is recommended that the capacity of existing facilities used for training in Marine Emergency Duty be increased; that the necessary equipment be upgraded; and that the responsible federal and provincial officials, in consultation with the industry, establish a priority system for MED training so that those who need it most receive it first.

The Executive Committee has been struck by the importance of a variety of questions pertaining to human resource requirements as they relate to offshore development. Many of these questions are relatively urgent in the sense that they should be addressed at an early stage, rather than a later stage, in the process of development. Many of them cannot be properly addressed without continuing consultation between and careful planning by officials of the responsible government agencies and representatives of the offshore companies. The situation clearly calls for an ongoing mechanism of a formal kind.

It is recommended that the Canada Employment and Immigration Commission, the provincial Department of Labour and Manpower and the offshore operators, as represented by the Eastcoast Petroleum Operators Association, work as quickly as possible to negotiate and sign a human resources planning agreement under which it would be possible to establish a formal government-industry body that could assume a significant amount of responsibility for the early identification of human resource requirements, the ongoing analysis of labour

supply, the joint planning of training activities and the establishment of targets for local labour content.

PART IV: ONGOING PROCESS OF CONSULTATION AND COOPERATION

In paragraph 22 of the Offshore Agreement, the Executive Committee was asked to propose an ongoing process of consultation and cooperation with respect to the economic and social responsibilities of each government. The Committee has given careful consideration to this request. It has concluded that, for the time being at least, there is no apparent need for any additional machinery to serve the indicated purpose.

Role of the Executive Committee

The Committee has also concluded, however, that the terms of reference of the Executive Committee itself need to be clarified, particularly with respect to appointments, reporting requirements and responsibilities in relation to the three funds that are to be established under the Agreement. The present co-chairmen were appointed by the federal and provincial Cabinets: the proposed terms of reference would formalize this procedure and make provision for the appointment of other Executive Committee members and members of sub-committees. The basic Agreement called for this initial report: the proposed terms of reference would establish reporting requirements of an ongoing nature. The basic Agreement called for recommended social and economic objectives: the proposed terms of reference would provide for a periodic review of the objectives actually adopted by the two governments. The basic Agreement assigned to the Executive Committee certain responsibilities pertaining to the funds to be established: the proposed terms of reference would clarify its ongoing responsibilities in this area. These are the most important elements.

Proposed Terms of Reference

In order that it may continue to play its role in the process of consultation and cooperation under the Agreement, the Executive Committee is proposing that the two governments approve revised Terms of Reference. The proposed text follows.

(1) Role
The Executive Committee shall be the principal vehicle at the level of officials for consultation and cooperation between the governments with respect to their economic and social responsibilities as they relate to offshore development.

(2) Planning
The Executive Committee will be expected to undertake planning with respect to the pursuit and achievement of the Social and Economic Development Objectives agreed to by the governments.

(3) Appointments
The federal and provincial co-chairpersons of the Executive Committee shall be appointed by decision of Cabinet in their respective governments. Additional members may be appointed, with mutual agreement, by the federal and provincial co-chairpersons.

(4) Sub-Committees
The Executive Committee may appoint sub-committees to assist in its work. The co-chairpersons of sub-committees shall be appointed by the co-chairpersons of the Executive Committee. Members of sub-committees may be appointed by the co-chairpersons of the sub-committees, subject to such direction as the Executive Committee may wish to provide.

(5) Social and Economic Objectives
The Social and Economic Objectives established by agreement of the two governments shall be reviewed at regular intervals and, if the two governments agree, may be modified at any time.

(6) Development Fund

Provincial proposals for expenditures under the Canada-Nova Scotia Development Fund shall be referred to the Executive Committee for consideration. The co-chairpersons of the Executive Committee shall transmit the proposals to the relevant federal and provincial Ministers, together with such comments and recommendations as the Committee may deem to be appropriate.

(7) Education and Training and Research and Development Funds

The Executive Committee will be expected to make recommendations to the governments with respect to the form and size of the funds, the purpose for which and the conditions under which the funds are to be used, and the departments or agencies to be responsible for administration of the funds. The Executive Committee will report to the governments annually on implementation of the funds.

(8) Liaison

The Executive Committee will work closely with the Canada-Nova Scotia Offshore Oil and Gas Board and with such federal and provincial government departments or agencies as may be appropriate, given the responsibilities of the Committee. Where necessary, the Executive Committee will consult with representatives of the private sector on matters falling within its Terms of Reference.

(9) Reporting

The Executive Committee shall report to the governments on the basis of need, as frequently as necessary, but not less than once every twelve months.

(10) Amendments to Terms of Reference

The Terms of Reference may be amended at any time by joint agreement of the two governments.

PART V: FUNDS

The Canada-Nova Scotia Agreement on Offshore Resource Management and Revenue Sharing provides for the establishment of three funds. These are:

(1) the Canada-Nova Scotia Development Fund;

(2) an Education and Training Fund; and

(3) a Research and Development Fund.

The Executive Committee on Economic and Social Benefits has responsibilities under the Agreement to make recommendations to the governments concerning establishment of the funds, including provision for administrative arrangements and expenditure criteria. In its deliberations, the Executive Committee focussed primarily on the basic structure and administration of the funds. It concluded that further study of education and training and research and development deficiencies and additional information about prospective offshore projects will be required before expenditure criteria can be developed for the funds.

Canada-Nova Scotia Development Fund

The provisions of the Offshore Agreement relating to the Development Fund are as follows:

> The parties shall establish a Canada-Nova Scotia Development Fund to defray infrastructure costs related to Venture and other resource activity in the offshore region incurred by the Nova Scotia government in the period before oil and gas production from the offshore commences.

(i) The Nova Scotia government shall propose expenditures from the Fund. Such expenditures shall be subject to approval by the parties.

(ii) Contributions to the Fund shall be advanced by the federal government in the following amounts:

$50 million in April, 1984

$50 million in April, 1985

$50 million in April, 1986

$50 million in April, 1987

for a total of $200 million.

(iii) The federal government will be repaid for such advance contributions from the Nova Scotia Offshore Oil and Gas Resource Revenue Fund, in ten equal annual instalments, commencing in the year after first production from the offshore region commences.

In view of the potential for offshore activity, the Executive Committee recognizes that there could be large demands on the Development Fund. Consequently, expenditures from the Fund will have to be allocated carefully.

Under the provisions of paragraph 15 of the Offshore Agreement, which is quoted above, the first federal advance to the Fund is to be made in April, 1984. In the view of the Executive Committee, it may become necessary before this date to make expenditures for a number of infrastructure projects related to offshore development. There is no reason why such projects, processed in the manner described in the proposed terms of reference of the Executive Committee and approved by the responsible federal and provincial Ministers, should not be financed by the provincial government but remain eligible for financing from the Fund by way of reimbursement.

In recognition of the fact that expenditures for infrastructure projects related to offshore development may become necessary before April, 1984, when the first federal contribution to the Development Fund is to be

made, it is recommended that the two governments approve in principle an arrangement whereby such projects, processed in the required manner and approved by the responsible federal and provincial Ministers, can be financed by the provincial government but remain eligible for financing from the Fund by way of reimbursement.

It is understood that, if this recommendation is accepted, the Executive Committee will, as quickly as possible, bring forward further recommendations relating to ways and means of putting the proposed arrangement in place.

By the time of the first federal contribution in April, 1984, it will be necessary to establish an actual Fund. In the view of the Executive Committee, the two governments should determine the nature of that Fund as soon as possible, so that the necessary planning can be carried out and put into effect in good time.

It is recommended that the Development Fund be established as a federal-provincial fund; that the scheduled federal contributions be paid into this fund; that approved expenditures be made from the balance of the fund, which would include any accrued interest; and that all transactions be subject to both federal and provincial accounting and audit procedures.

As indicated in the previous section of this report, the procedure contemplated for the approval of proposed expenditures from the Development Fund would have provincial proposals referred to the Executive Committee for consideration and then sent by its co-chairpersons, together with such comments and recommendations as the Committee might wish to make, to the Ministers responsible for granting or withholding approval. It is understood that the responsible Ministers will be the federal Minister of State for Economic and Regional Development and the provincial Minister of Development.

In due course, the Executive Committee will be making further recommendations about the Development Fund, including a number relating to responsibilities for its day-to-day administration.

Education and Training and Research and Development Funds

The Offshore Agreement is less specific about the nature and operation of the Education and Training and Research and Development Funds than it is about the Development Fund. The reference to these two Funds in the Offshore Agreement is as follows:

> The parties shall establish two additional funds by legislation, in respect of Education and Training, and Research and Development. These funds shall be administered on a joint basis by the appropriate federal and provincial agencies. The funds shall be financed by a levy on operators in the offshore regions divided equally between the funds, unless an alternative approach is recommended by the Executive Committee on Economic and Social Benefits.
>
> A cap on the levy shall be established such that the fund will not appreciably exceed the flow of expenditures.

The establishment of the Education and Training Fund is regarded as one mechanism to assist in maximizing the employment of Nova Scotians in occupations related to all facets of offshore oil and gas exploration and development. The Fund would provide a means of encouraging the oil companies to provide Nova Scotians with the necessary training and work-related experience. It could also be used to assist in accommodating any labour force dislocation which might occur as a result of petroleum industry recruitment of labour from other industries.

Although no significant new technology is expected to be needed in the development of gas off Sable Island, research and development opportunities will be available to firms providing scientific and technical services in several areas, including:

-- navigational aids;
-- testing services;
-- construction engineering services for pipecoating and general contractors;
-- maintenance and repair (e.g. the use of CAD/CAM and other modern technology to upgrade shipyards, machine shops, equipment manufacturers);
-- underwater instrumentation; and
-- safety equipment and services.

In these and other areas, the Research and Development Fund should be used in such a way as to strengthen the capacity of Nova Scotian firms, particularly their capacity to engage successfully in the critically important process of new product development.

The Education and Training Fund and the Research and Development Fund could be financed by a levy on operators, as proposed in the Offshore Agreement. Money would be collected from the operators at regular intervals, in the manner of a tax. The money would be allocated to the two Funds, from which expenditures would be made by government for approved purposes. After careful consideration and lengthy discussion, the Executive Committee concluded that this tax-like arrangement might do little to stimulate the active, ongoing interest of the oil companies in the objectives of the Funds. For this reason, the Committee began to look at alternatives, finally settling on one that has

precedents, in principle at least, in Newfoundland and in other jurisdictions.

The Committee concluded that the purposes of the parties would be well served by a system under which operators would be required by law, each year, to meet a specified financial obligation by making expenditures in support of education and training and research and development -- expenditures that would have to be approved by the two governments in accordance with established guidelines. Approved expenditures would take the form of contributions to various programs and projects that might be expected to benefit Nova Scotia by enhancing the opportunity of Nova Scotians to qualify for employment resulting from offshore activity and to realize benefits from the application of research and development relevant to offshore activity. It is important to note that, under such a system, the expenditures would result from proposals made by the operators, which would mean that their attention and interest in the objectives would be continuously engaged.

Having developed the system thus far, however, the Committee realized that, in some degree, the purpose of the Funds should go beyond the area in which the oil company operators might be expected to have a direct interest. It was conscious, for example, of the fact that a major offshore development is almost bound to create labour shortages in occupations used by a number of industries, of which the petroleum industry is only one -- and that, in dealing with such shortages, governments may be called upon to assist not only the petroleum industry but also the other affected industries. In recognition of this kind of situation, the Committee concluded that the system under consideration should be modifed in such a way as to allow the federal and provincial governments to require the operators to meet a specified proportion of their annual financial obligation by making contributions to projects and programs

specified by the two governments. For discussion, these contributions were referred to as "directed expenditures".

The Committee assumed that the system based on the concept of expenditures made to meet an annual financial obligation, like the levy system proposed in the Agreement, would be established by law. It also assumed, therefore, that any company failing to meet its obligation would, in the normal manner, be subject to penalties provided by law.

The Executive Committee also turned its attention to the manner in which the size of an annual financial obligation should be established. In this area, it finally arrived at two principles.

(1) The first principle calls for a distinction between the exploration and production phases of activity. In the exploration phase, the financial obligation should be determined on the basis of area under lease. In the production phase, it should be determined on the basis of output. The Committee concluded that there should be no need to include the developmental phase in the formula, because it could be assumed that the operator would in all likelihood continue exploration after beginning developmental work on a given structure.

(2) The second principle recognizes that an operating company is entitled to a degree of certainty about its maximum annual financial obligation. This means that maxima should be established in statute law.

At this point, the Executive Committee is not in a position to propose a division of total expenditures between the Education and Training Fund and the Research and Development Fund more appropriate than the equal shares contemplated in the Offshore Agreement. It may be worth noting, however, that, in the opinion of the Committee, there may be a greater need in the beginning for expenditures pertaining to education and training than to research and development.

It is now possible to set forth the recommendations of the Executive Committee with respect to the Education and Training Fund and the Research and Development Fund.

It is recommended that operators be required each year to meet a specified financial obligation by making expenditures in support of education and training and research and development -- expenditures that are approved by the federal and provincial governments in accordance with guidelines to be established.

It is recommended that the federal and provincial governments, acting together, be authorized to require the operators to meet a specified proportion of their annual financial obligation -- a proportion not to exceed 25 per cent -- by making contributions to specific projects or programs, these contributions to be known as "directed expenditures".

It is recommended that any operator failing to meet the annual financial obligation be subject to penalties provided by the relevant statute law.

It is recommended:

(a) that, for an operator engaged in exploration, the obligation be determined as a rate not to exceed a specified amount per hectare per annum; and

(b) that, for an operator engaged in production, the obligation be determined as a rate not to exceed a specified amount per 1,000 cu. ft. of gas produced at the well head per annum.

Additional work is underway on the rates that should determine financial obligations and on arrangements for administration.

Appendix

MANAGEMENT STRUCTURE UNDER THE CANADA-NOVA SCOTIA OFFSHORE AGREEMENT

Introduction

The Canada-Nova Scotia Agreement on Offshore Oil and Gas Resource Management and Revenue Sharing (referred to hereafter as "the Offshore Agreement") was signed on March 2, 1982. The Offshore Agreement represents a co-operative federal-provincial arrangement to manage the hydrocarbon resources off Nova Scotia -- an arrangement that sets aside the issues of ownership and jurisdiction. The opening paragraph states:

> This political settlement of the issues between the two governments has been reached without prejudice to and notwithstanding their respective legal positions. It is the intention of the parties that this settlement shall survive any decision of a court with respect to ownership and jurisdiction in the geographic area identified in Schedule I, hereinafter called the offshore region.

The Offshore Agreement extends for an indefinite period but may be terminated by either government, with three years notice, after March 1, 2024. Effectively, therefore, it extends for a period of at least 45 years. The Offshore Agreement may be replaced by an agreement with another province on offshore oil and gas resource management and revenue sharing if such an agreement substituted is concluded before January 1, 1985. The Offshore Agreement does not apply to Sable Island.

In addition to the above provisions, the Offshore Agreement establishes a management regime for the offshore region, makes provision for provincial Crown participation, specifies revenue sharing arrangements, provides for joint

implementation, calls for exploration to prove the threshold reserves of the Venture natural gas find, provides for Nova Scotian participation in transporting offshore oil and gas and establishes a structure for optimizing economic and social benefits.

Paragraph 22 of the Offshore Agreement includes the Terms of Reference of the Executive Committee on Economic and Social Benefits. This paragraph and sections a) and b) of paragraph 15 respecting the Development Fund and the Education and Training and Research and Development Funds are most relevant to the operations of the Executive Committee, as part of the management structure of the Agreement.

Canada-Nova Scotia Offshore Oil and Gas Board

Paragraph 3 of the Offshore Agreement outlines the composition and responsibilities of the Canada-Nova Scotia Offshore Oil and Gas Board. The Board is responsible to and acts under the authority of the Minister of Energy, Mines and Resources. The federal members of the Board are Maurice Taschereau, Administrator of the Canada Oil and Gas Lands Administration (COGLA); Robert Blackburn, Deputy Administrator of COGLA; and George Tough, Assistant Deputy Minister, Energy Policy Analysis,Department of Energy, Mines and Resources. The provincial members are Doug Tobin, Executive Director, Revenue and Taxation, Department of Finance and Richard Hornby, Director, Energy Resources, Department of Mines and Energy -- with Joe Clarke, Secretary to the Executive Council and Al Manuel, Comptroller, Department of Finance, as alternates. The secretary of the Board is Sheryl Kennedy. The Board has been meeting regularly since April of 1982, as called for under the Offshore Agreement.

A responsibility of the Executive Committee, as specified in paragraph 22 of the Offshore Agreement, is to work in close collaboration with the Board. Federally, minutes of the Board and Executive Committee are exchanged and members of the Board and the co-chairman of the Executive Committee meet regularly. Extensive informal consultation on matters of mutual concern takes place between regular meetings. Provincially, members of the Board and the Executive Committee and representatives of other departments and agencies are members of an Offshore Co-ordinating Committee, which is responsible to the Board of Resource Development (Policy Board).

COGLA Nova Scotia Office

The Offshore Agreement calls for the establishment of a COGLA Nova Scotia office (CNSO). The office was established at the beginning of October, 1982, with Wynne Potter, formerly an Assistant Deputy Minister of the Nova Scotia Department of Mines and Energy, as its Director General. The CNSO is directed by the Board and an office of the Board is located in the CNSO. The COGLA office in Nova Scotia conducts the day-to-day operations of COGLA with respect to the Nova Scotia offshore region, as defined under the Agreement, including land management, engineering and inspection, resource evaluation, assessment of environmental risks, negotiation and monitoring of Canada benefits and policy analysis and coordination.

The Director General of the CNSO provides a link between the COGLA Nova Scotia office and the Executive Committee by sitting as an ex-officio member of the Committee.

Environmental Assessment and Review Process

Paragraph 8 of the Offshore Agreement calls for the establishment of a joint Canada-Nova Scotia Environmental Assessment and Review Process. To this end, the Sable Island Environmental Assessment Panel, responsible to the federal and provincial Ministers of Environment, was appointed in November, 1982. Federal members are P.J. Paradine of the Federal Environmental Assessment Review Office and L.R. Day, former Executive Secretary of the Northwest Atlantic Fisheries Organization (NAFO). Provincial members are L. Peddle, a former vice-president of Twin Cities Co-operative Dairy Limited, and R. Burgess, former Deputy Minister of the Nova Scotia Department of Lands and Forests.

The Panel has issued draft guidelines for the preparation by Mobil Oil Canada Ltd. of an Environmental Impact Statement pertaining to the development of Venture natural gas and will be undertaking public hearings after this Statement becomes available.

Socio-Economic Panel

Complementary to the Environmental Assessment Panel, a Socio-Economic Panel, reporting to the Canada-Nova Scotia Offshore Oil and Gas Board, has been struck. The Panel is to assess the socio-economic implications of the Venture production system options and to conduct public hearings jointly with the Environmental Assessment Panel prior to the submission of its report to the Offshore Oil and Gas Board. The federal appointee of the Socio-Economic Panel is Hector Hortie, former Director General of DREE (Nova Scotia), and the provincial appointee is Walter Miller, former President of Scott Maritimes Ltd.

Fisheries Advisory Committee

Section 9 of the Offshore Agreement calls for the establishment of a joint federal-provincial Fisheries Advisory Committee. The federal appointee to the Committee is Don Riley of the Department of Fisheries and Oceans and the provincial appointee is Art Longard, Director, Marine Resources, Department of Fisheries. Representatives of fishermen and the fishing industry are to be appointed.

Executive Committee on Economic and Social Benefits

The Executive Committee on Economic and Social Benefits was established under paragraph 22 of the Offshore Agreement. The federal and provincial co-chairmen, J.D. Love, Federal Economic Development Coordinator (Nova Scotia) and Jim McNiven, Deputy Minister of Development, were appointed by the federal and provincial Cabinets, respectively, in July, 1982. Other federal members are G. Everard, Director General (Nova Scotia) of the Canada Employment and Immigration Commission, and Michael Lane, Regional Executive Director (Nova Scotia) of the Departments of Regional Economic Expansion and Industry, Trade and Commerce. Other provincial members are Carmen Moir, Deputy Minister of the Policy Board, and Hugh MacDonald, Deputy Minister of the Department of Labour and Manpower.The federal and provincial co-secretaries of the Committee are Gordon DeWolf and Richard Shaffner, respectively.

The Executive Committee reports federally to the Cabinet through its Committee on Economic and Regional Development and provincially to the Executive Council through the Board of Resource Development (Policy Board). To assist in its work, the Executive Committee has struck three sub-committees -- one on Economic Opportunities, one on Human Resources, and one on Land Use and

Community Effects. Most federal and provincial departments with a responsibility for or interest in offshore development and its effects are represented on the sub-committees.

The Executive Committee held its first meeting on July 8, 1982, and has since been meeting regularly.

According to section 22 of the Offshore Agreement, the terms of reference of the Executive Committee are:

i) to prepare Social and Economic Development Objectives for recommendation to the parties, including but not limited to the use of labour, goods and services, education and training of personnel, and research and development;

ii) to propose an ongoing process to ensure effective consultation and cooperation between the parties with respect to the economic and social responsibilities of each government;

iii) to identify for the parties, possible initiatives to meet the proposed Social and Economic Development Objectives;

iv) to report to the parties by January 1, 1983 on the matters identified in i), ii) and iii) above;

v) to assess the financial implications for the parties of related infrastructure development costs.

Additional responsibilities of the Executive Committee are included under section 15 of the Agreement. According to this section:

a) The parties shall establish a Canada-Nova Scotia Development Fund to defray infrastructure costs related to Venture and other resource activity in the offshore region incurred by the Nova Scotia government in the period before oil and gas production from the offshore commences.

i) The Nova Scotia government shall propose expenditures from the Fund. Such expenditures shall be subject to approval by the parties.

ii) Contributions to the Fund shall be advanced by the federal government in the following amounts:

$50 million in April, 1984
$50 million in April, 1985
$50 million in April, 1986
$50 million in April, 1987

for a total of $200 million.

iii) The federal government will be repaid for such advance contributions from the Nova Scotia Offshore Oil and Gas Resource Revenue Fund, in ten equal annual installments, commencing in the year after first production from the offshore region commences.

b) The parties shall establish two additional funds, by legislation, in respect of Education and Training, and Research and Development. These funds shall be administered on a joint basis by the appropriate federal and provincial agencies. The funds shall be financed by a levy on operators in the offshore regions divided equally between the funds, unless an alternative approach is recommended by the Executive Committee on Economic and Social Benefits (Section 22).

A cap on the levy shall be established such that the fund will not appreciably exceed the flow of expenditures.

A proposed revision of these Terms of Reference for the Executive Committee is put forward in this report.

Number/
Numéro
2

RECOMMENDATIONS

from

REPORT

of the

CANADA-NOVA SCOTIA EXECUTIVE COMMITTEE

on

ECONOMIC AND SOCIAL BENEFITS

related to

OFFSHORE OIL AND GAS RESOURCE ACTIVITIES

Halifax, Nova Scotia,

January, 1983

SOCIAL AND ECONOMIC OBJECTIVES

The following statement of proposed objectives should be read in the context of a graduated set of priorities under which benefits would be directed, in the first place, to Nova Scotia, in the second place, to other parts of the Atlantic Region and, in the third place, to the rest of Canada.

A. The first objective is to maximize permanent net benefits for the people of Nova Scotia:

(1) By directing revenue from offshore oil and gas, wherever possible, to the creation of long-term opportunities;

(2) By increasing the proportion of goods and services purchased by the offshore industry, broadly defined, within Nova Scotia;

(3) By ensuring that employment from offshore activity, including employment in managerial, professional and other highly-skilled positions, is made available to residents;

(4) By strengthening and diversifying the industrial structure in a lasting manner;

(5) By encouraging development in those areas best able to accommodate it;

(6) By establishing and expanding training and research institutions based on the long-term requirements of the offshore industry;

(7) By avoiding, in the process, any unnecessary build-up of inflationary pressures.

B. The second objective is to distribute the benefits and costs of offshore development as equitably as possible:

(1) By ensuring that the benefits of offshore development accrue to all income groups and that the costs are not borne disproportionately by any one income group;

(2) By encouraging development in areas with low levels of per capita income and high levels of unemployment;

(3) By reinforcing the positive effects of offshore development and minimizing the negative effects, particularly at the community level.

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INITIATIVES TO MEET OBJECTIVES

(1) It is recommended that the two governments consider a joint planning agreement which, among other things, would provide for major planning studies related to offshore development to be quickly launched, brought to completion and used as a basis for informed action.

(2) It is recommended that, in the near future, and at regular intervals thereafter, each government undertake a review of the resources allocated to departments and agencies with responsibilities related to the development of offshore oil and gas in Nova Scotia, with a view to ensuring that these responsibilities are met fully and in a timely fashion. Increases in funding for some programs will have to be considered if a decision is made to proceed with Venture.

(3) It is recommended that the Canada-Nova Scotia Offshore Oil and Gas Board review existing arrangements for the monitoring of Canada benefit plans to which oil companies commit themselves. It is essential that reporting arrangements and follow-up procedures be such as to ensure that everyone concerned is aware of the extent to which commitments made are being fulfilled.

(4) It is recommended that the provincial Industrial Benefits Office and the federal Ocean Industry Development Office be strengthened. In the case of the latter office, the strengthened capability should reflect an expanded role in Nova Scotia for the Ottawa-based Office of Industrial and Regional Benefits.

(5) It is recommended that oil companies operating off Nova Scotia and their major contractors be required to locate in Nova Scotia the management decision-making capability required for local operations.

(6) It is recommended that steps be taken to establish an ongoing process of communication between the oil companies and their principal contractors, the research and development institutions and interested elements of the private sector in Nova Scotia -- a process designed to ensure that the results of research and development are captured in industrial development made possible by the offshore.

(7) It is recommended that training standards for all of the key offshore occupations be published as quickly as possible, if need be in interim form, so that employers and training institutions can take the steps necessary to ensure that minimum requirements are being met.

(8) It is recommended:

(a) that the facilities of the Coast Guard College of Canada be expanded;

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(b) that the facilities of the Nova Scotia Nautical Institute be upgraded quickly, in order to provide additional training capacity, and that plans for a replacement of the present Institute be put into effect as soon as funds can be made available;

(c) that companies be required to provide training berths on rigs and supply vessels, so that the sea-time necessary for certain types of certification can be acquired.

(9) It is recommended that priority consideration for training be given to drilling occupations, welders and pipefitter-welders, crane operators, drafting occupations, industrial mechanics, aircraft mechanics, instrumentation mechanics and selected marine fabricating occupations.

(10) It is recommended that the capacity of existing facilities used for training in Marine Emergency Duty be increased; that the necessary equipment be upgraded; and that the responsible federal and provincial officials, in consultation with the industry, establish a priority system for MED training so that those who need it most receive it first.

(11) It is recommended that the Canada Employment and Immigration Commission, the provincial Department of Labour and Manpower and the offshore operators, as represented by the Eastcoast Petroleum Operators Association, work as quickly as possible to negotiate and sign a human resources planning agreement under which it would be possible to establish a formal government-industry body that could assume a significant amount of responsibility for the early identification of human resource requirements, the ongoing analysis of labour supply, the joint planning of training activities and the establishment of targets for local labour content.

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ONGOING PROCESS OF CONSULTATION AND COOPERATION

Proposed Terms of Reference: Executive Committee on Economic and Social Benefits

(1) Role

The Executive Committee shall be the principal vehicle at the level of officials for consultation and cooperation between the governments with respect to their economic and social responsibilities as they relate to offshore development.

(2) Planning

The Executive Committee will be expected to undertake planning with respect to the pursuit and achievement of the Social and Economic Development Objectives agreed to by the governments.

(3) Appointments

The federal and provincial co-chairpersons of the Executive Committee shall be appointed by decision of Cabinet in their respective governments. Additional members may be appointed, with mutual agreement, by the federal and provincial co-chairpersons.

(4) Sub-Committees

The Executive Committee may appoint sub-committees to assist in its work. The co-chairpersons of sub-committees shall be appointed by the co-chairpersons of the Executive Committee. Members of sub-committees may be appointed by the co-chairpersons of the sub-committees, subject to such direction as the Executive Committee may wish to provide.

(5) Social and Economic Objectives

The Social and Economic Objectives established by agreement of the two governments shall be reviewed at regular intervals and, if the two governments agree, may be modified at any time.

(6) Development Fund

Provincial proposals for expenditures under the Canada-Nova Scotia Development Fund shall be referred to the Executive Committee for consideration. The co-chairpersons of the Executive Committee shall transmit the proposals to the relevant federal and provincial Ministers, together with such comments and recommendations as the Committee may deem to be appropriate.

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(7) Education and Training and Research and Development Funds

The Executive Committee will be expected to make recommendations to the governments with respect to the form and size of the funds, the purpose for which and the conditions under which the funds are to be used, and the departments or agencies to be responsible for administration of the funds. The Executive Committee will report to the governments annually on implementation of the funds.

(8) Liaison

The Executive Committee will work closely with the Canada-Nova Scotia Offshore Oil and Gas Board and with such federal and provincial government departments or agencies as may be appropriate, given the responsibilities of the Committee. Where necessary, the Executive Committee will consult with representatives of the private sector on matters falling within its Terms of Reference.

(9) Reporting

The Executive Committee shall report to the government on the basis of need, as frequently as necessary, but not less than once every twelve months.

(10) Amendments to Terms of Reference

The Terms of Reference may be amended at any time by joint agreement of the two governments.

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FUNDS

Development Fund

(1) In recognition of the fact that expenditures for infrastructure projects related to offshore development may become necessary before April, 1984, when the first federal contribution to the Development Fund is to be made, it is recommended that the two governments approve in principle an arrangement whereby such projects, processed in the required manner and approved by the responsible federal and provincial Ministers, can be financed by the provincial government but remain eligible for financing from the Fund by way of reimbursement.

(2) It is recommended that the Development Fund be established as a federal-provincial fund; that the scheduled federal contributions be paid into this fund; that approved expenditures be made from the balance of the fund, which would include any accrued interest; and that all transactions be subject to both federal and provincial accounting and audit procedures.

Education and Training and Research and Development Funds

(3) It is recommended that operators be required each year to meet a specified financial obligation by making expenditures in support of education and training and research and development -- expenditures that are approved by the federal and provincial governments in accordance with guidelines to be established.

(4) It is recommended that the federal and provincial governments, acting together, be authorized to require the operators to meet a specified proportion of their annual financial obligation-a proportion not to exceed 25 per cent -- by making contributions to specific projects or programs, these contributions to be known as "directed expenditures".

(5) It is recommended that any operator failing to meet the annual financial obligation be subject to penalties provided by the relevant statute law.

(6) It is recommended:

(a) that, for an operator engaged in exploration, the obligation be determined as a rate not to exceed a specified amount per hectare per annum; and

(b) that, for an operator engaged in production, the obligation be determined as a rate not to exceed a specified amount per 1,000 cu. ft. of gas produced at the well head per annum.